GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5043
ANSWERED ON:31.03.2017
Masala Bonds
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government/RBI proposes to allow banks to issue Masala Bonds in order to widen the investor pool and deepen the market for bond issuance and if so, the details thereof;

(b) whether the Government/RBI's new guidelines on corporate bonds will boost liquidity in the bond market and if so, the details thereof; and

(c) whether the Government is aware that some hurdles need to be overcome to enhance liquidity and increase the size of the corporate bonds market and if so, the details thereof along with the steps taken by the Government to remove such hurdles?

Answer

The Minister of State in the Ministry of Finance

(a) to (c): Reserve Bank of India (RBI) has informed that as part of the package of measures announced on August 25, 2016 for development of fixed income and currency markets, in connection with developing the market for rupee denominated bonds overseas, it has been decided, to permit banks to issue Perpetual Debt Instruments (PDI) qualifying for inclusion as Additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital, by way of rupee denominated bonds overseas. It was also decided to allow banks to issue rupee denominated bonds overseas under the extant framework of incentivizing issuance of long term bonds by banks for financing infrastructure and affordable housing.

RBI has taken measures to deepen the corporate bond market. Some of the recent measures to boost liquidity are mentioned below:
â€¢ Foreign Portfolio Investors (FPIs) have been permitted to invest in unlisted corporate bonds.
â€¢ Partial Credit Enhancement ceiling by banks has been raised from 20% to 50% of the issue size.
â€¢ FPIs have been provided direct access to secondary market trading in corporate bond market without involving brokers.
â€¢ Brokers authorized as market makers are allowed to participate in corporate bond repo market.
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